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PROJECT NO. 52373

REVIEW OF WHOLESALE ELECTRIC MARKET DESIGN	§	PUBLIC UTILITY COMMISSION OF TEXAS
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COMMENTS OF TEXAS CONSUMER ASSOCIATION

Texas Consumer Association (TCA), a 501c(4) organization incorporated in the state of Texas, submits these comments for PUC Project No. 52373 - Review of Wholesale Electric Market Design. TCA is a non-profit, non-partisan, organization that has represented small business and individual Texas consumers on pocketbook issues for over 50 years.

Executive Summary

The mission of the Commission is to "protect customers, foster competition, and promote high quality infrastructure." As the process of reviewing and modifying the market design in Texas continues, the agency's mission priority to protect consumers, those *consumers* being the individual and small businesses which are the largest majority of customers served by the grid, must be considered in all aspects of the redesign.

Introduction

Winter Storm Uri began in Texas on February 9, 2021. Despite meteorological warnings for many days prior, Texas gas producers, pipeline owners, and electric generators did not prepare. The resulting disaster has and will cost customers billions, but the future decisions made by the Commission as changes to the grid are deliberated should incorporate the consideration of cost for the consumers.

The order that wholesale electricity prices in the state should be set at $9,000 per megawatt-hour was issued days after the beginning of the storm and well after the freezing of gas wellheads and pipelines, causing a shortage of gas to generators. The reasoning by the Commission was that the high price was necessary to incentivize electricity production. The order declared that "energy prices should reflect scarcity of supply." The energy price set by the Commission also reflected the extreme high prices of gas that some might consider price-gouging. Texas ratepayers will ultimately be saddled with billions in excess energy costs, and additional fuel costs on gas bills, for decades.

Although the Commission does not currently regulate the gas supply to generators or the market for buying and selling gas, one cannot ignore the fact that it is integral for production. Consideration for oversight of the gas supply that is provided for electric generation under this agency should be added to the many issues listed in the questions below.

Comments

1. **What specific changes, if any, should be made to the Operating Reserve Demand Curve (ORDC) to drive investment in existing and new dispatchable generation? Please consider ORDC applying only to generators who commit in the day-ahead market (DAM). Should that amount of ORDC-based dispatchability be adjusted to specific seasonal reliability needs?**

Incentives for both companies and customers should be provided, not just generators. Customers should be paid for voluntary demand reductions as well as generators.

2. **Should ERCOT require all generation resources to offer a minimum commitment in the day-ahead market as a precondition for participating in the energy market?**
   a. **If so, how should that minimum commitment be determined?**
   b. **How should that commitment be enforced?**

Requiring a minimum commitment in the day-ahead market will not necessarily increase reliability and could increase cost to customers. Customers benefit from the pricing in the current voluntary market and adding a fine or fee for not meeting a minimum will increase rates. There are variable sources providing inexpensive energy, keeping cost relatively low for customers. It is the job of ERCOT and the agency to balance the multiple sources to provide reliability, not provide a punitive cost that will ultimately be paid by consumers.

3. **What new ancillary service products or reliability services or changes to existing ancillary service products or reliability services should be developed or made to ensure reliability under a variety of extreme conditions? Please articulate specific standards of reliability along with any suggested AS products. How should the costs of these new ancillary services be allocated.**

TCA supports the development of new ancillary services that are less expensive than new generation since the costs are ultimately paid by consumers. Storage should be considered as an enhancement to other options.

4. **Is available residential demand response adequately captured by existing retail electric provider (REP) programs? Do opportunities exist for enhanced residential load response?**

Some Texans are ahead of the regulators on this issue and are investing in their own storage, smart controls, and backup generation. Most customers who want to directly control their energy use through demand response do so using energy management strategies within their household. For those using an outside company, it would benefit customers to have common rules developed regarding the participation of third-party energy management companies and demand response providers.

Grid reliability can be greatly enhanced if the agency and ERCOT used the participation of customers in a significant way. Many customers are not introduced or provided information on the availability of management strategies and have no knowledge on how to implement such a program within their household. The goal of the REP is to sell more energy, so meaningful demand response programs will need to be required by the agency. TCA suggests such programs be a requirement for REP approval to operate.

5. How can ERCOT's emergency response service program be modified to provide additional reliability benefits? What changes would need to be made to Commission rules and ERCOT market rules and systems to implement these program changes?

Individual and small business customers should be last in line when ERCOT is shedding load. The program should be redesigned and properly funded to achieve this goal.

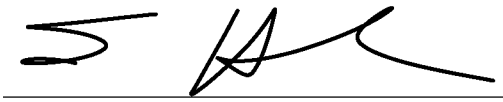
6. How can the current market design be altered (e.g., by implementing new products) to provide tools to improve the ability to manage inertia, voltage support, or frequency?

The ancillary services markets should be designed in a manner that improves the ability of all resources to offer services in a way that will enhance overall grid reliability.

Conclusion

TCA appreciates the opportunity to provide these comments and we look forward to engaging in this process with the Commission and other interested parties.

Respectfully submitted,



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